2000 Report

ONTARIO PENSION BOARD

Highlights of the Public Service Pension Plan

- The Public Service Pension Plan (the "PSPPlan") is a defined benefit pension plan established under the *Public Service Pension Act (Ontario)*, and subject to the *Pension Benefits Act (Ontario)* and the *Income Tax Act (Canada)*.

- Annual pensions are calculated as 2% of the best, consecutive, 60 months average salary, multiplied by the member's number of years of credit in the PSPPlan. The pension is reduced at age 65.

- The PSPPlan is a fully indexed plan, which is subject to a limit of 8% inflation protection in any one year, with any excess carried forward.

- Survivor benefits are payable.

- The PSPPlan provides the option to purchase service for prior employment with the Province of Ontario while not a member of the PSPPlan by paying only the employee contribution (provided that eligibility requirements are met).

- In addition to early retirement, unreduced pensions at age 60 with 20 or more years of credit, age plus credit adds to 90 points or more, or age 50 plus 30 or more years of credited service (Ontario Provincial Police Force only) the PSPPlan currently provides an early retirement program which allows an unreduced pension benefit for those members whose age and years of credit in the PSPPlan adds to 80. This program is only available to members if they qualify prior to April 1, 2002 and elect within certain limited time frames to retire.

- Members and employers are currently enjoying a contribution reduction equivalent to 4% of salaries. This reduction expires November 30, 2002. In addition, members in the Ontario Provincial Police Force are not required to make their 2% supplementary contributions until March 31, 2002.

A Message from the Chairman

This is the eleventh Annual Report which I have authored as Chairman of the Ontario Pension Board. It is also my last as I am retiring on December 31, 2000. We commenced business as a corporation on January 1, 1990. At that time we had a funding deficit of some $2.5 billion, which the Government of Ontario agreed to pay over 40 years.

In the past year, we had our actuary William M. Mercer Limited prepare a new actuarial report as of December 31, 1999 which showed a surplus of $335 million. We are all thrilled to reach the milestone of having all our pensions fully funded, some 30 years ahead of the original schedule.

Investment policy is set by the Board of Directors and is implemented by the Investment Committee and our Senior Vice President of Investments, Mr. Robert Kay. The Investment Committee was comprised of Mr. William J. Corcoran, Ms. Debbie McKenna, Mr. Donald Weiss and myself. The Board of Directors was composed of the aforementioned along with Dr. Bob Christie and Mr. William J. Fisher. Mr. Donald Weiss joined the Board of Directors in April, 2000 and in December was appointed Chairman and Chief Executive Officer effective January 1, 2001. Mr. Geoffrey Collins was appointed to the Board of Directors effective January 1, 2001. Mr. Collins will be appointed Chairman of the Investment Committee, replacing Mr. Corcoran who resigned on December 31, 2000 to take on new responsibilities elsewhere. Both Mr. Weiss and Mr. Collins bring many years of experience in the financial services and investment industry. Mr. Corcoran will remain as an advisor to the Investment Committee. Mr. Corcoran has been a Director, Vice-Chairman and Chairman of the Investment Committee since 1990 and has made an outstanding contribution to the Board. Fortunately, as an advisor we will continue to have the benefit of his knowledge and experience. I thank Mr. Corcoran for his dedicated service.

We continue to have all of our funds managed by high quality outside managers. In June, we diversified by adding GE Asset Management Inc. who will manage a Global mandate of approximately 4% of our funds. The other managers are Jarislowsky Fraser Limited, Jones Heward Investment Counsel Inc., J.P. Morgan Investment Management Inc., Perigee Investment Counsel Inc., Phillips Hager & North Investment Management Ltd. and Sceptre Investment Management Limited.

As we have been predicting for the past three years the market finally hit the skids and there have been enormous ups and downs. The investment policy of the Ontario Pension Board remains the same; i.e. to obtain the maximum return on assets with the minimum of risk. Quality of assets and preservation of capital are foremost considerations in our investment policy.

Our return on investment improved significantly in 2000. The Fund return in 2000 was 10.19% compared to 5.37% in 1999. For the past ten years the Fund return has averaged 11.83% per year.

Last year I mentioned that the markets in Canada and the United States had been dominated by technology and Internet stocks and that the public had committed an extraordinary amount of their assets to the purchase of these securities. This continued until March of 2000 and then abruptly stopped. The Nasdaq Stock Index, which is comprised primarily of technology companies, reached over 5,000 in March but had fallen to 2,470 at year-end. Internet stocks have not only declined but many dot.com companies have gone out of business.

The technology and telecom mania has now turned to a rout as companies such as Nortel Networks have fallen from a high of 124 in July to 48, Microsoft from 120 to 44 and AT&T from 61 to 17. These companies and others are fine businesses but had become very significantly over priced during the overly exuberant period in the stock markets.

Index returns were directly affected by this plunge in technology. In Canada, Nortel, at one time, representing over 30% of the TSE 300 index fell but other business such as banks, insurance companies and oil companies had banner years so that the index actually rose 7.4% on the year.

The Standard and Poors 500 Index in New York fell 5.5%, the Dow Jones 2.5% , and the Nasdaq 36.9%. Most foreign stock markets fell with Europe down 4.5% and Japan 25%. The fund has a very small Far Eastern exposure and its investments in Europe are 6.8% of the total portfolio.

Bonds in Canada and the U.S. rose significantly.

Accordingly, on an overall basis, the fund returned 10.19% in a very demanding year. Our outlook is that 2001 will be equally demanding. It is apparent that the auto industry is slowing down and it's the most important industry in Ontario. However, we intend to continue our conservative policies and feel that these will result in satisfactory returns for 2001.

Our real estate investments remain the same; i.e. 8 regional shopping centres in Halifax, Ottawa, St. Catharines, Pickering, Winnipeg, Calgary and two in Vancouver. Real estate must be re-appraised every three years. Royal LePage Advisors Inc. completed a valuation as at March 31, 2000 which showed the value increasing by $39 million to $875 million. Overall, the real estate return for the year was 13.27%.

Highlights on real estate were: in Brentwood Mall, Vancouver, a new Sears store in the former Eaton's store and a new 34,000 sq. ft. London Drugs store; in Lougheed Mall, Vancouver, a remodeled Wal-Mart store; in Marlborough Mall, Calgary, a newly refurbished Sears store and a new Government lease; in St. Vital, Winnipeg, a new Sears store in the former Eaton's store; in PickeringTown Centre, a new Bay store in the former Eaton's store; in Pen Centre, St. Catharines, leases are being negotiated with Sportchek, Old Navy and other major retailers to occupy the former Eaton's space in 2001; In Halifax Shopping Centre, a new Sears store in the former Eaton's space, and the acquisition of 24 additional acres adjacent to the shopping centre for a Wal-Mart, a Sobeys and a Sears clearance store opening in 2001.

Our Plan sponsor, the Government of Ontario, introduced a new buyback window for the period February 1, 2000 to January 31, 2001. To date, we have received an additional 1,900 buyback requests.

In addition, the Government of Ontario as Plan Sponsor introduced a number of benefit improvements, namely a contribution reduction from August 1, 2000 to November 30, 2002 of 4% for both employer and employee contributions; an extension of Factor 80 retirement eligibility from April 1, 2000 to March 31, 2002 and elimination of the CPP disability offset.

The buyback window and the extension of the Factor 80 has increased the number of requests for pension estimates by 51% over the previous year. The staff completed 58,000 cases compared to 47,000 cases in the previous year. As well, staff delivered 47 divestment and pre-retirement seminars during the year. Another major workload in 2000 was the processing of transfers for members moving between the OPSEU Pension Trust and the Ontario Pension Board. Approximately 5,000 transfers have been processed to date. Current flows indicate that there are approximately 600-800 members coming into the OPB with a further 100 members leaving the OPB each year.

Systemwise there have been a number of activities. First I am happy to report that all the work we had done in preparing for Y2K resulted in a successful complete transition. There were no problems. Second, late in 1999 the Bank of Montreal, our custodian since our inception, sold the custody business to CIBC Mellon. I am pleased to report that the transfer took place with a minimum of problems and is working well. Third, our major employer group implemented a new employee information system called WIN which resulted in a number of system changes. Our systems group and our administration group has continued their participation in the Pension Data Integrity Project led by Management Board Secretariat.

In the area of Human Resources, the Board ratified a new collective bargaining agreement with the OPSEU unionized staff on January 18th. The Board's negotiating team was comprised of Mr. William Fisher, Director of the Board, Ms. Linda Bowden and Mr. Mark Fuller.

2000 also saw the introduction of a pension administration certificate course for staff at the Board. This program has been developed and implemented in conjunction with Humber College.

Our Director and Chairman of the Human Resources Committee of the Board, Mr. William Fisher undertook an extensive review of salaries. As a result of this review, the Board approved the updated salary ranges and approved a number of salary increases. Mr. Mark Fuller, formerly Senior Vice President, General Counsel and Secretary was appointed Executive Vice President of the Board late in the year.

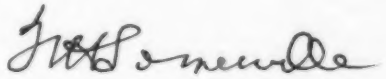
Under the direction of Mr. Mark Fuller, who has direct responsibility for pension policy, a great amount of time was spent in improving the adjudication process so as to provide a more efficient approach. It is our objective to provide the best possible service with a minimum of delay. In addition, a great amount of work was done towards improvement of portability between the various government-sponsored plans.

For 2001, we have engaged our auditors Ernst and Young to assist the Board in conducting an Enterprise Risk Management Program. This Program will allow us to revisit, identify, document and prioritize the risks facing the Plan in the future as well as establish our audit plan going forwards.

Another key project slated for early 2001 is the implementation of the OPB Website.

I want to extend my gratitude to the Directors for their generous contribution to the Board during this past year. I also want to thank President Mr. Leonard Lu and his entire staff for their service and devotion during another very busy year. Mr. Lu's leadership has been outstanding. Our goal remains to provide the highest quality service to our pensioners and contributors. I would like to welcome Mr. Donald Weiss as our new Chairman. I have every confidence in Mr. Weiss who also shares my commitment to the principles of sound financial management of the Ontario Pension Board.

And finally ladies and gentlemen, I want to personally thank you for having given me the opportunity of leading the company through the past eleven exciting years.



William H. Somerville

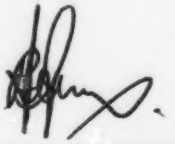
Management's Responsibility for Financial Reporting

The consolidated financial statements of the Ontario Pension Board ("OPB") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these consolidated financial statements are in accordance with generally accepted accounting principles. Of necessity, many amounts in the financial statements must be based on the best estimates and judgement of management with appropriate consideration as to materiality. Financial information presented throughout this annual report is consistent with the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded against unauthorized use or disposition, and proper records maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout the OPB.

The Board of Directors ("Board") is ultimately responsible for the consolidated financial statements of the OPB. The OPB's Audit Committee assists in this responsibility by reviewing the consolidated financial statements in detail with management and the external auditors before such statements are recommended to the Board for approval. The Audit Committee meets regularly with management and the external auditors to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

Leonard Lu
President



Robert J. Sycamore, CA
Director, Finance

February 12, 2001

Auditors' Report

To the Directors of the Ontario Pension Board:

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus of the Ontario Pension Board (the "OPB") as at December 31, 2000, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended. These consolidated financial statements are the responsibility of the OPB's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the OPB as at December 31, 2000 and the results of its operations and the changes in its financial position, accrued pension benefits and surplus for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young

Toronto, Canada
February 12, 2001

Chartered Accountants

Actuaries' Opinion

To the Directors of the Ontario Pension Board:

We have prepared an actuarial valuation on a funding basis of the Public Service Pension Plan (the "PSPPlan") as of December 31, 1999 and a supplementary cost certificate as of August 1, 2000, as described in Note 8(a) of these consolidated financial statements.

We hereby certify that, in our opinion:

- the data provided to us by the Ontario Pension Board (OPB) are sufficient and reliable for the purposes of the December 31, 1999 valuation and August 1, 2000 cost certificate;
- the actuarial assumptions used are, in aggregate, appropriate for the purposes of a valuation for funding purposes of the PSPPlan;
- the methods employed in the valuation are appropriate for the purposes of the valuation and are consistent with the requirements of the *Pension Benefits Act*, the *Public Service Pension Act*, and the *Income Tax Act (Canada)*; and
- the valuation was prepared and our opinion given in accordance with generally accepted actuarial practice.

Using the same data as provided by the OPB for the funding basis valuation, we also prepared an estimate of the assets and liabilities on an actuarial basis following the accounting methodology required by *The Canadian Institute of Chartered Accountants Handbook*, Section 4100, as disclosed in Note 8(b). These amounts are set out in the consolidated statement of net assets available for benefits and accrued pension benefits and surplus. The valuation for accounting purposes was prepared in accordance with accepted actuarial practice and is based on assumptions set out in Note 8(b), which in our opinion fall within a reasonable range.

Michael D. Banks, F.I.A., F.C.I.A.

Paul Nock, F.S.A., F.C.I.A.

WILLIAM M. MERCER LIMITED
February 12, 2001

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus

As at December 31 (in thousands of dollars)	2000	1999
Assets		
Investments (Note 4)	**$11,952,232**	$11,184,908
Contributions receivable (Note 7)	**13,793**	24,984
Capital assets (Note 5)	**462**	678
Total assets	**11,966,487**	11,210,570
Liabilities		
Income taxes withheld on pension payments	**8,332**	8,308
Accounts payable and accrued charges	**6,583**	5,930
Contributions payable	**333**	351
Total liabilities	**15,248**	14,589
Net Assets Available for Benefits	**11,951,239**	11,195,981
Actuarial asset value adjustment (Note 8(b))	**921,280**	808,746
Actuarial Value of Net Assets Available for Investments	**$12,872,519**	$12,004,727
Accrued Pension Benefits and Surplus		
Accrued Pension Benefits	**$11,212,152**	$10,994,073
Surplus (Note 8(b))	**1,660,367**	1,010,654
Total Benefits and Surplus	**$12,872,519**	$12,004,727

See accompanying notes

William H. Somerville
Director

Donald D. Weiss
Director

Consolidated Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31 (in thousands of dollars)	2000	1999
Increase in Net Assets		
Net investment income (Note 6)	**$ 1,111,059**	$ 569,051
Contributions (Note 7)	**282,604**	322,068
Transfers from other plans	**143,204**	38,086
Increase in net assets	**1,536,867**	929,205
Decrease in Net Assets		
Pensions paid	**669,642**	648,923
Termination payments and transfers	**100,258**	46,939
Operating expenses (Note 11)	**11,709**	11,217
Decrease in net assets	**781,609**	707,079
Net Increase in Net Assets For the Year	**755,258**	222,126
Net Assets, at Beginning of Year	**11,195,981**	10,973,855
Net Assets, at End of Year	**$ 11,951,239**	$ 11,195,981

See accompanying notes

Consolidated Statement of Changes in Accrued Pension Benefits

For the Year Ended December 31 (in thousands of dollars)	2000	1999
Accrued Pension Benefits, at Beginning of Year	**$10,994,073**	$10,903,192
Increase in Accrued Pension Benefits		
Interest on accrued pension benefits	**747,243**	735,233
Benefits accrued	**289,533**	206,891
Total increase	**1,036,776**	942,124
Decrease in Accrued Pension Benefits		
Benefits paid	**721,900**	695,862
Experience gains	**96,797**	155,381
Total decrease	**818,697**	851,243
Net Increase in Accrued Pension Benefits	**218,079**	90,881
Accrued Pension Benefits, at End of Year	**$11,212,152**	$10,994,073

Consolidated Statement of Changes in Surplus

For the Year Ended December 31 (in thousands of dollars)	2000	1999
Surplus, at Beginning of Year	**$ 1,010,654**	$ 802,423
Increase in net assets available for benefits	**755,258**	222,126
Change in actuarial asset value adjustment	**112,534**	76,986
Increase in actuarial value of net assets available for benefits	**867,792**	299,112
Net Increase in Accrued Pension Benefits	**218,079**	90,881
Surplus, at End of Year	**$ 1,660,367**	$ 1,010,654

See accompanying notes

Notes to the Consolidated Financial Statements
December 31, 2000

1. Public Service Pension Act

Effective January 1, 1990, the Province of Ontario (the "Province") enacted the *Public Service Pension Act*, 1990 (the "PSPAct") to continue the pension plan for the employees of the Province and certain of its agencies. The terms of the Public Service Pension Plan (the "PSPPlan") are stated in Schedule 1 to the PSPAct. The Ontario Pension Board (the "OPB") is the administrator of the PSPPlan.

2. Description of PSPPlan

The following is a brief description of the PSPPlan. For more complete information, reference should be made to the PSPAct.

a) General

The PSPPlan is a contributory defined benefit pension plan and membership is mandatory for most employees who satisfy the eligibility requirements provided in the PSPAct. Under the PSPPlan, contributions are made by the members and the employers. The PSPPlan is registered under the *Pension Benefits Act (Ontario)* and the *Income Tax Act (Canada)* under Registration Number 0208777.

b) Contributions

The PSPPlan is integrated with the Canada Pension Plan ("CPP"). Member contributions are 6.2% of the salary on which contributions to CPP are made and 8% on the balance of salary. The employers contribute matching amounts. The Province has amended the PSPPlan to provide for a contribution reduction of 4% of salary for members and a corresponding reduction for employers. This reduction is in effect until November 30, 2002. For most members, the reduction took effect on August 1, 2000.

Ontario Provincial Police Force ("OPP") members are required to contribute to the PSPPlan an additional 2% of salary which is matched by the employer. Under an amendment to the PSPPlan, OPP employees are not required to contribute this additional amount from August 1, 2000 until March 31, 2002. However, employer contributions will continue at the normal level.

c) Pensions

A pension is payable at age 65 (or at age 60 for some members with pre-1966 pension credits) based on the number of years of credit in the PSPPlan, 2% of the average salary during the best consecutive 60 month period, less an offset for amounts received under the CPP. An unreduced pension can be received before age 65 if the member's age and years of credit total 90 (the "Factor 90") or when the member reaches age 60 and has 20 or more years of credit. The Province amended the PSPPlan to provide for an enhanced early retirement opportunity for certain members of the Plan (the "Factor 80"). Amendments allow an unreduced pension for those members whose

age and years of credit in the PSPPlan add to 80. Members are eligible for this program if they achieve the Factor 80 prior to April 1, 2002 and elect, within certain limited time frames, to retire.

OPP members are eligible for an unreduced pension after attaining age 50 with 30 years of credit.

d) Death Benefits

Benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or pensioner's estate on the death of a member or a pensioner.

e) Disability Pensions

Based on meeting all eligibility criteria, a disability pension may be available to members with a minimum of 10 years of credit in the PSPPlan. The amount of the disability pension is dependent on years of credit and average salary.

f) Termination Payments

Members terminating employment before age 55, who are eligible for a deferred pension, may be entitled to transfer the commuted value of the pension to a locked-in registered retirement savings arrangement, to another pension plan or to purchase a life annuity.

g) Escalation of Benefits

Current pensions and deferred pension benefits are increased for inflation based on the Consumer Price Index to a maximum of 8% in any one year. Any inflation above 8% in any one year is applied to increase the pension in subsequent years when the adjustment is less than 8%.

3. Summary of Significant Accounting Policies

a) Basis of Presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and present the position of the PSPPlan as a separate entity independent of the employers and plan members.

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b) Principles of Consolidation

The accounts of wholly-owned subsidiaries are included on a consolidated basis.

c) Investments

Traded investments are stated at fair value based on year-end market prices. Short-term investments are carried at amortized cost which approximates their aggregate fair value. Special Province of Ontario Debentures, which are non-marketable, are recorded at face value (see Note 4). Gains and losses realized on the disposal of investments are credited or charged to investment income. Withholding tax refunds from foreign jurisdictions are recorded on a cash basis. Investment transactions are presented on a trade date basis.

Real estate investments are stated at appraised values as established by independent appraisals at least every three years. Changes in valuation due to appraisal adjustments are included in unrealized gains. The last appraisal was performed this year.

d) Contributions

Contributions from members and employers which are due to the PSPPlan at year-end are recorded as receivable. Transfers and purchases of prior service are recorded after cash is received and the case is processed.

e) Pensions

Payments of pensions, refunds and transfers are recorded in the year in which they are made.

f) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer equipment	3 years
Leasehold improvements	Remaining term of lease
Furniture and fixtures	10 years

g) Foreign Currency Translation

Foreign currency transactions are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions.

The fair value of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year-end.

4. Investments

As at December 31 (in thousands of dollars)	2000 Fair Value	2000 Cost	1999 Fair Value	1999 Cost
Special Province of Ontario Debentures	**$ 3,471,694**	**$ 3,471,694**	$ 3,553,865	$ 3,553,865
Cash and short-term investments				
Canadian	**737,352**	**736,700**	724,748	727,608
Foreign	**103,173**	**103,165**	96,934	84,362
	840,525	**839,865**	821,682	811,970
Bonds				
Canadian	**1,772,269**	**1,755,106**	1,820,035	1,902,572
Foreign	**335,028**	**320,898**	321,899	362,295
	2,107,297	**2,076,004**	2,141,934	2,264,867
Equities				
Canadian	**1,675,581**	**1,443,009**	1,303,824	942,980
Foreign	**2,663,749**	**2,010,796**	2,244,484	1,461,683
	4,339,330	**3,453,805**	3,548,308	2,404,663
Real estate	**911,666**	**848,759**	837,509	814,030
Investments	**$11,670,512**	**$10,690,127**	$10,903,298	$ 9,849,395
Accrued income	**281,720**	**281,720**	281,610	281,610
Total	**$11,952,232**	**$10,971,847**	$11,184,908	$10,131,005

The Special Province of Ontario Debentures, which are non-marketable, are recorded at their aggregate face value of $3.472 billion. By discounting cash flows based on year-end market yields of comparable bonds, a value of $4.964 billion could be determined.

There are currently 20 Special Province of Ontario Debentures maturing over the next 14 years with a weighted average interest rate of 11.73%.

As Administrator of the Fund, the OPB has adopted a Statement of Investment Policies and Goals. This Statement provides investment objectives, performance expectations and guidelines for the management of the Fund. To reduce risk and enhance returns, equity and fixed income investments may be allocated to different asset classes. The proportion allocated at any point in time is determined based on an assessment of economic and financial market conditions. To provide the ability to respond to fundamental changes, the Fund's asset mix is maintained within the following ranges:

Equity	30% to 70%
Fixed income	30% to 70%

The Fund's long-term asset mix policy is as follows:

Equity	60%
Fixed income	40%

This policy was adopted after evaluating the risk characteristics of alternative policies, considering the liquidity requirements of the Fund and the economic assumptions employed in the PSPPlan's actuarial valuation.

The OPB invests in high-grade bonds and common shares. The fair value of foreign investments will fluctuate with moves in exchange rates.

The OPB through its subsidiary owns a 100% interest in the following regional shopping centres:

Brentwood Mall, Burnaby, BC	Halifax Shopping Centre, Halifax, NS
Carlingwood Mall, Ottawa, ON	Niagara Pen Centre, St. Catharines, ON
Lougheed Mall, Burnaby, BC	Pickering Town Centre, Pickering, ON
Marlborough Mall, Calgary, AB	St. Vital Centre, Winnipeg, MB

The carrying value of the real estate assets was increased by $39 million to reflect the results of an independent appraisal conducted as at March 31, 2000.

See the Schedule of Fixed Income Maturities and the schedule of Investments Over $50 Million for further information.

5. Capital Assets

As at December 31 (in thousands of dollars)	Cost	2000 Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Computer equipment	$ 1,261	$ 992	$ 269	$ 315
Leasehold improvements	1,071	976	95	219
Furniture and fixtures	562	464	98	144
Total capital assets	$ 2,894	$ 2,432	$ 462	$ 678

6. Net Investment Income

For the Year Ended December 31 (in thousands of dollars)	2000	1999
Interest income		
Special Province of Ontario Debentures	**$ 411,547**	$ 418,594
Cash and short-term investments		
Canadian	**43,223**	30,680
Foreign	**4,989**	3,813
Bonds		
Canadian	**113,656**	136,966
Foreign	**20,468**	18,314
Total interest income	**593,883**	608,367
Dividend income		
Canadian	**37,081**	19,893
Foreign	**38,313**	38,772
Total dividend income	**75,394**	58,665
Real estate income	**72,189**	70,625
Realized gain	**455,166**	182,430
Unrealized loss	**(74,095)**	(340,939)
Total investment income	**1,122,537**	579,148
Investment management and custodial fees	**11,478**	10,097
Net investment income	**$ 1,111,059**	$ 569,051

7. Contributions

For the Year Ended December 31 (in thousands of dollars)	2000	1999
Members		
Current service	**$ 77,752**	$ 96,397
Prior service	**10,122**	3,524
	87,874	99,921
Employers		
Current service	**82,103**	99,401
Prior service	**6,496**	1,483
Interim unfunded liability payments received	**106,131**	121,263
	194,730	222,147
Total contributions	**$ 282,604**	$ 322,068

The contribution requirements are set out in the PSPAct and summarized in Note 2.

Contributions receivable represent members' and employers' contributions due as well as estimated receivables for members receiving benefits on LTIP and for the matching portion of buybacks billed to the employer.

8. Accrued Pension Benefits

a) Funding Basis

The funding of the PSPPlan is based on a method of valuation required under the PSPAct. An actuarial valuation of the PSPPlan, prepared on a funding basis, was completed by the OPB's actuaries, William M. Mercer Limited ("Mercer") as at December 31, 1999. This valuation disclosed an actuarial surplus of $335 million based on an actuarial liability of $11.683 billion and an actuarial value of assets of $12.018 billion at the end of 1999.

Effective August 2000, the Province provided for certain enhancements to the Plan. The actuarial cost of the benefits totalled $329 million.

The *Pension Benefits Act (Ontario)* and the *Income Tax Act (Canada)* require an actuarial valuation for funding purposes to be performed at least every three years.

b) Accounting Basis

The consolidated financial statements include assets and liabilities on a best estimate basis according to the reporting standard set by The Canadian Institute of Chartered Accountants (CICA).

The CICA basis requires that the obligation for accrued pension benefits be calculated using best estimate assumptions and the projected benefit method pro-rated on services. The key assumptions which have been used for this estimation are for long-term expectations and are adjusted annually in light of economic conditions. For 2000 and 1999, the key assumptions used are as follows:

	2000	1999
Interest	**7.0%**	7.0%
Inflation	**3.0%**	3.0%
Real rate of return	**4.0%**	4.0%
Salary	**4.0%**	4.0%
	+ promotional scale	+ promotional scale

Best estimates for the actuarial value of assets include valuation of the Special Province of Ontario Debentures on a discounted basis. In addition, realized and unrealized gains and losses on marketable investments are amortized over four years.

9. Statutory Information

The statutory information required under the *Public Sector Salary Disclosure Act*, 1995, with respect to employees who are paid a salary of $100,000 or more in a year is as follows:

	Salary	Taxable Benefits
W.H. Somerville, Chairman	$124,204	Nil
L. Lu, President	$179,039	$428
M. Fuller, Executive Vice-President	$163,094	$394
R. Kay, Sr. Vice-President, Investments	$147,852	$362
A. Evagelou, Vice-President, Plan Administration	$113,687	$293
L. Bowden, Vice-President, Corporate Services	$105,499	$272
R. Sycamore, Treasurer & Director, Finance	$102,579	$266
J. Farrugia, Director, Planning & Information Technology	$100,516	$262

10. Ontario Provincial Police Early Retirement Benefit

Under the PSPPlan, the OPB is required to report annually on the early retirement benefit provided by the PSPPlan to members who are employed by the Ontario Provincial Police Force (OPP). This early retirement benefit is available to OPP members who are 50 years of age and have 30 years of credit in the PSPPlan. OPP members contribute 2% of their salary to the PSPPlan in addition to the regular contribution amount. This contribution is matched by the employer.

The liability of OPP members who qualify and elect to retire under the Factor 80 provision is not reported under the OPP early retirement benefit. When the Province's program expires, the liability for all OPP members who attain 50 years of age and have 30 years of credit in the PSPPlan will be reported under the OPP early retirement benefit.

The position of the OPP early retirement benefit was included in the actuarial valuation as at December 31, 1999. The value of projected future contributions and benefits included in the December 31, 1999 actuarial valuation was updated to reflect actual contributions received and benefit payments made during the period to December 31, 2000. This method produces a reasonable estimate of the financial position of this benefit according to the OPB's actuaries.

The additional obligation and assets related to the OPP early retirement benefit as at December 31, 2000 were as follows:

(in thousands of dollars)	
Assets allocated to payment of OPP early retirement benefit	$ 63,956
Actuarial value of future additional contributions from OPP members and employer	78,145
	142,101
Actuarial value of future OPP early retirement benefit	131,316
Assets and actuarial value of future additional contributions available in excess of actuarial value of future OPP early retirement benefit	$ 10,785

11. Operating Expenses

For the Year Ended December 31 (in thousands of dollars)	2000	1999
Salaries and benefits	$ 5,569	$ 4,818
Agency services	648	382
Office premises and operations	1,460	1,569
Computer and professional services	2,835	3,389
Depreciation and amortization	427	427
Communications	517	335
Audit	104	140
Travel	52	64
Publications, registration and filing fees	97	93
Total operating expenses	$ 11,709	$ 11,217

Schedule of Fixed Income Maturities

As at December 31 (in thousands of dollars)	2000 Fair Value	2000 Effective Yield %	1999 Fair Value	1999 Effective Yield %
Special Province of Ontario Debentures				
0-1 year	$ 76,334	10.11 - 13.40	$ 56,726	10.04 - 11.53
1-5 years	595,729	9.51 - 16.95	525,295	9.51 - 16.95
5-10 years	1,228,306	11.16 - 15.38	1,117,525	11.05 - 15.38
> 10 years	1,571,325	10.38 - 11.55	1,854,319	10.38 - 13.33
	$3,471,694		$3,553,865	
Cash and short-term investments				
Canadian:				
0-1 year	$ 737,352	5.29 - 6.41	$ 724,748	4.63 - 5.16
Foreign:				
0-1 year	103,173	3.25 - 5.47	96,934	5.30 - 5.51
	$ 840,525		$ 821,682	
Bonds				
Canadian:				
0-1 year	$ 54,749	6.93 - 10.62	$ 6,839	5.55 - 9.66
1-5 years	335,727	4.97 - 9.41	287,522	5.96 - 7.35
5-10 years	864,104	5.19 - 10.90	1,238,159	5.76 - 9.62
> 10 years	410,666	5.61 - 8.01	287,515	6.24 - 7.65
PH&N Bond Fund 2-28 years	107,023	6.33	—	
	$1,772,269		$1,820,035	
Foreign:				
0-1 year	$ –		$ 18,060	4.78
1-5 years	44,365	4.92 - 7.68	114,660	4.58 - 7.28
5-10 years	265,153	4.04 - 7.18	178,047	5.12 - 8.87
> 10 years	25,510	5.24 - 5.47	11,132	4.60
	$ 335,028		$ 321,899	
	$2,107,297		$2,141,934	

Investments Over $50 Million

As at December 31, 2000 (in thousands of dollars)	Maturities	Coupon %	Fair Value $	Cost $
Special Province of Ontario Debentures	2001 - 2014	9.51 - 16.95	3,471,964	3,471,964
Cash and Short-Term Investments				
Canadian				
Government of Canada			215,235	214,879
Bank of Montreal			50,110	50,340
Bonds				
Canadian				
Government of Canada	2001 - 2029	5.00 - 10.25	655,779	649,115
Province of Ontario	2002 - 2029	4.88 - 10.00	255,613	250,819
Phillips Hager & North High Grade Corporate Bond Fund	2002 - 2028	5.49 - 12.20	107,023	105,587
Royal Bank of Canada	2003 - 2011	5.40 - 7.29	51,958	51,221
Foreign				
Government of France	2005 - 2009	4.00 - 5.50	149,029	140,179
Government of Germany	2009 - 2028	3.75 - 5.63	116,146	110,977
Government of United Kingdom	2008	9.00	53,430	52,219
Real estate			911,666	848,759

As at December 31, 2000 (in thousands)	Shares	Fair Value $
Equities		
Canadian		
Nortel Networks Corporation	2,084	100,571
Royal Bank of Canada	1,941	98,715
Manulife Financial Corporation	1,805	84,740
Bombardier Inc.	3,180	73,622
The Bank of Nova Scotia	1,697	73,302
Canadian Imperial Bank of Commerce	1,526	70,973
BCE Inc.	1,638	70,933
The Toronto Dominion Bank	1,608	69,850
Bank of Montreal	805	63,242
Alberta Energy Company Ltd.	814	58,451
Foreign		
Merck & Co. Inc.	542	76,160
Exxon Mobil Corporation	580	75,642
Pfizer Inc.	938	64,706
Bristol-Myers Squibb Company	544	60,367
Johnson & Johnson	335	52,741
General Electric Company	714	51,337

Sponsors

As at December 31, 2000, the OPB served the needs of our members of the following Ministries, Agencies, Boards and Commissions of the Province, as well as all of our pensioners.

Agriculture, Food and Rural Affairs
Alcohol and Gaming Commission of Ontario
Algonquin Forestry Authority
Anishinabek Police Service
Attorney General
Cabinet Office
Citizenship, Culture and Recreation
Community and Social Services
Consumer and Commercial Relations
Correctional Services
Economic Development and Trade
Education
Energy, Science and Technology
Environment
Finance
Financial Services Commission
Francophone Affairs
Health and Long-Term Care
Intergovernmental Affairs
Labour
Lac Seul Police Services
Legislative Assembly
Lieutenant Governor's Office
Liquor Control Board of Ontario
Management Board Secretariat
Municipal Affairs and Housing
Native Affairs
Natural Resources
Niagara Parks Commission
Nishnawbe-Aski Police Service
Northern Development and Mines
Office of the Chief Election Officer
Ombudsman Ontario
Office of the Premier
Office of the Provincial Auditor
Ontario Arts Council
Ontario Casino Corporation
Ontario Clean Water Agency
Ontario Development Corporation
Ontario Financing Authority
Ontario Housing Corporation
Ontario Lottery Corporation
Ontario Pension Board
Ontario Place Corporation
Ontario Provincial Police Force
Ontario Realty Corporation
Ontario Science Centre
Ontario Securities Commission
Ontario Teachers' Pension Plan Board
St. Lawrence Parks Commission
Solicitor General
Tourism
Training, Colleges and Universities
Transportation
Treasury and Economics
United Chiefs and Councils of Manitoulin Police Services Commission
Wikwemikong Tribal Police Service
Workplace Safety and Insurance Appeals Tribunal

Member and Pensioner Statistics

As at December 31	2000	1999
Members	25,324	24,304
Pensioners	39,495	39,621

Board of Directors

William H. Somerville, O.Ont., LL.D.
Chairman
Ontario Pension Board

William J. Corcoran
Vice-Chairman
Ontario Pension Board

Robert Christie
Deputy Minister
Ministry of Finance

William J. Fisher
Retired Vice-President
Human Resources, Chrysler Canada Ltd.
Honourary Professor, University of Windsor
Faculty of Business Administration

Debbie McKenna
Executive Officer-Benefits
Ontario Provincial Police Association

Donald D. Weiss
Executive Director
P.C. Ontario Fund

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William J. Corcoran
William H. Somerville
Donald D. Weiss

INVESTMENT
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Donald D. Weiss

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William J. Fisher*
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William H. Somerville
Donald D. Weiss

PENSION POLICY
Debbie McKenna*
Robert Christie
William J. Fisher
William H. Somerville
Donald D. Weiss

* Chairman

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William H. Somerville, O.Ont., LL.D.
Chairman

Leonard Lu
President

Mark Fuller
Executive Vice-President

Robert F. Kay
Sr. Vice-President, Investments

Linda J. Bowden
Vice-President, Corporate Services

Antonia Evagelou
Vice-President, Plan Administration

Robert J. Sycamore, CA
Treasurer & Director, Finance

Senior Management

Robert Breens
Director, Operational Policy

Sheila A. Fish
Director, Member & Pensioner Services

Joseph A.P. Farrugia
Director, Planning & Information Technology

Peter M.T. Johnson, CA, CFA
Comptroller

Karen Kojima, CA
Manager, Treasury & Investment Accounting

The goal of the Ontario Pension Board is to excel in the provision of pension benefits by delivering the highest quality service to its members, pensioners and sponsors at the lowest cost, and by obtaining the maximum return on investments with a minimum of risk. This goal is being achieved through progressive human resource practices that encourage the initiative, innovation and participation of all staff.

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